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THE Agricultural Situation

MARCH 1950

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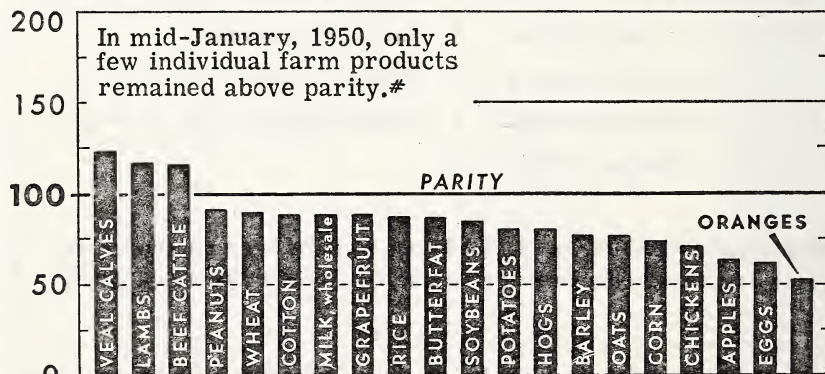
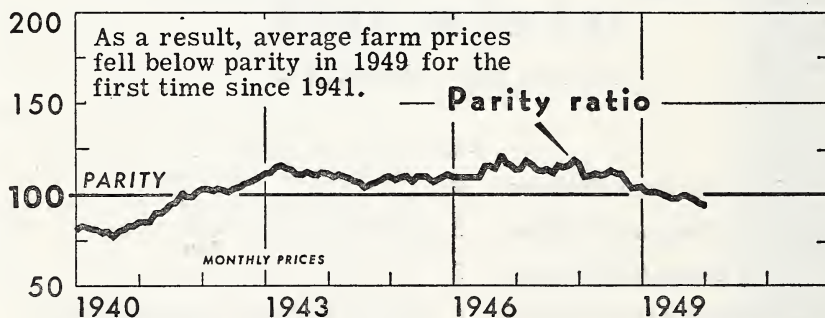
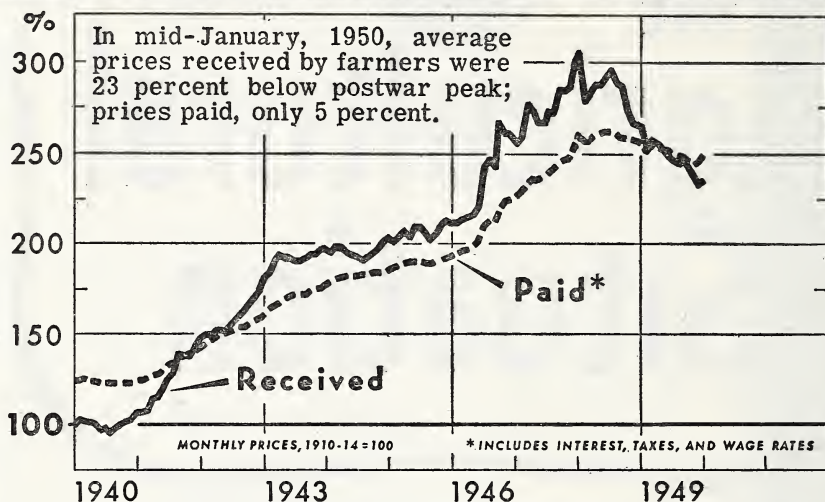
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[The AGRICULTURAL SITUATION is sent free to crop and price reporters in connection with their reporting work]

Editor: Wayne Dexter

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FARMERS' PRICES OVER 10 YEARS OF WAR AND PEACE



* ONLY PART OF FARM PRODUCTS FOR WHICH BAE COMPUTES MONTHLY PARITY PRICES ARE SHOWN

BAE 47521-X

Fewer Animals Go East as

Western Slaughter Doubles

MEAT ANIMALS raised on the vast ranges of the West are doing a lot less traveling than was true a quarter century ago.

In the past, a large part of the cattle and sheep produced in the West moved to the Corn Belt for fattening before they ended up as steaks, chops, and roasts on the dining tables of eastern consumers. Prices western livestock men received depended mainly on conditions in eastern markets.

Today, western livestock producers still ship many of their animals east and the demand in eastern markets is still important in determining the prices received by western farmers and ranchers. But the historic pattern is changing. Fewer and fewer of the livestock produced in the West are moved east. More and more, conditions in western markets determine prices paid western producers.

Study Long-Term Shifts

Long-range shifts in the trade in western livestock are examined in a study recently completed by BAE and the agricultural experiment stations of the 11 westernmost States and Texas under the Research and Marketing Act. The project was sponsored by the Western Livestock Marketing Research Technical Committee. The study, which was intended mainly to lay groundwork for further research, points up several trends that affect the livestock industry in both East and West.

Among the most striking of these shifts is the increase in slaughter by packing plants in the West in the last quarter century. From 1925 to 1948,

slaughter in western plants jumped from roughly 3 billion pounds (live-weight) to 6 billion pounds. During the same period, slaughter of meat animals in the other 36 States increased only about one-fifth. In 1925, western slaughterhouses accounted for only 11 percent of total commercial slaughter for the country. In 1948, the percentage was up to 17.

Fewer Move East

While slaughter in western plants was doubling, meat animal production in the area increased only one-third. Western livestock producers are getting more meat per breeding unit or per acre of range land, but the livestock population—in terms of total animal units—has changed only slightly. Since production of meat animals has lagged far behind the increase in commercial slaughter, the number of meat animals shipped to eastern markets has dropped steadily. In recent years, the weight (live) of animals slaughtered in western plants was about three-fourths of the total weight marketed by western producers. In the late 1920's, the proportion was a little less than half.

Still Produces Surplus

Because of the increase in western slaughter, west coast packer buyers are coming much farther east to buy supplies of slaughter livestock than formerly. However, the area still produces a surplus of cattle and calves and sheep and lambs for shipment to other parts of the country. In recent years, this surplus has been running close to 2½ billion pounds compared with around 3.3 billion pounds in 1925-27. Cattle and calves accounted for 2.4 billion pounds of the surplus in recent years and sheep and lambs the remainder.

Western farmers do not produce enough hogs to meet slaughter require-

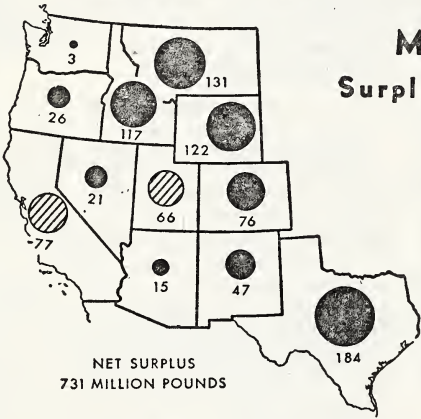
This is the first of two articles on past trends and future prospects for the trade in western livestock.

ments of western packers. Each year large numbers of hogs move into Western States from rail points in the Corn Belt and the Dakotas. Movement of dressed and cured pork into the West also is large.

The surplus or deficit situation varies considerably by States within the west-

ern area. The only States producing a surplus of hogs are Idaho, Montana, Wyoming, and New Mexico and in each of these States the surplus is small. California and Washington are the only States which do not produce surpluses of cattle and calves; California and Utah the only States without surpluses

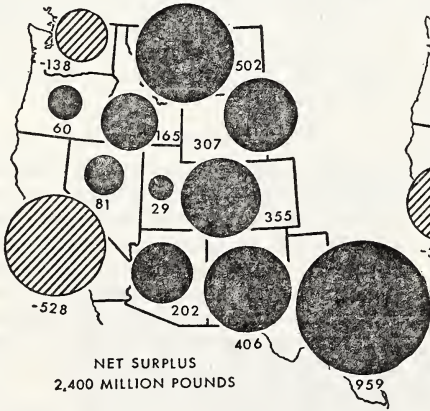
SHEEP AND LAMBS



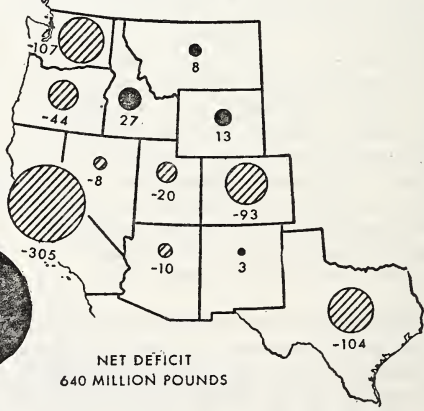
MEAT ANIMALS
Surplus and Deficit States
(1946-48 AVERAGE)

- Net marketings exceed commercial slaughter
- ▨ Commercial slaughter exceeds net marketings

CATTLE AND CALVES



HOGS



Figures under circles represent millions of pounds liveweight

DATA FROM THE BUREAU OF THE CENSUS

BAE 47471A-X

of sheep and lambs. However, about half the slaughter in the West is accounted for by packers in California, Oregon, and Washington. This means that each year large numbers of animals are hauled long distances from western farms and ranches to the west coast. A considerable amount of dressed and cured meat also is moved to the west coast from other western and midwestern States.

Other large concentrations of packing plants in the western region are located in the Southwest, particularly in Texas, which accounts for about one-third of total slaughter, and in Colorado which accounts for 11 percent.

Among several factors influencing the increase in commercial meat production in the West, the rapid increase in population is by far the most important. Apparently, a lot of people are still taking Horace Greeley's advice to "Go West." The population of the area has risen almost two-thirds since 1925, while the other 36 States were gaining only one-fifth. Furthermore, disposable income per person of western consumers—the income left for spending after taxes—has been higher than in other parts of the country during most of this time.

Trend To Continue

The Nationwide trend toward decentralization of the meat packing industry and the plentiful supplies of live animals throughout the West also have played an important part in the increase in commercial slaughter in Western States.

The best estimates available indicate that the population of Western States will continue to grow at a considerably faster rate than in the rest of the country. Other trends encouraging development of the western meat packing industry are likely to continue. This would mean that even more of the livestock raised in the West will be slaughtered and consumed in the West. It also would mean that eastern meat packing plants will have to look elsewhere for an increasing part of their slaughter animal supplies.

Harold Abel

Bureau of Agricultural Economics

Outlook Highlights

. . . MARCH, 1950

Egg Output to Stay Large

Egg supplies are likely to press heavily on market prices during most of 1950. The laying flock on January 1 was 7 percent larger than a year earlier and the rate of lay during January was a record. Supplies this year will permit consumption per person to exceed the 375 eggs of 1949.

Some reduction in output is in prospect late this year. Poultry men have reported to BAE that they intended to buy 12 percent fewer baby chicks for laying flock replacement than last year. If this reduction is carried out it will not affect the number of layers until the final quarter of this year and probably will not have much effect on egg and chicken prices in 1950.

Supplies of eggs currently are running considerably ahead of commercial demand. Support buying in January and February about equaled that of a year earlier and prevented further price declines. Movement of shell and frozen eggs into cold storage in mid-February was as heavy as the movement that usually occurs later in the season.

Wheat Exports Slower

Exports of wheat and wheat products continue to run behind those of a year earlier. From July through January, shipments amounted to the equivalent of 193 million bushels, compared with 310 million bushels the same period of 1948. Exports for 1949-50 are now expected to total about 375 million bushels compared with last season's record of 503 million.

CCC inventories of wheat plus the quantity under price support programs totals about 500 million bushels. These holdings may cause supplies in private trade to be more limited late this spring than a year earlier.

(Continued on page 14)

Farmers' Income Down Again; Assets Also Show a Decline

THE NET INCOME of farm operators from farming dropped for the second straight year in 1949 while the assets of agriculture declined for the first time since the beginning of the war, according to preliminary estimates.

The 2-year decline in the net income of farm operators left the total for 1949 at 13.8 billion dollars, 17 percent less than in 1948 and 22 percent less than the 1947 record.

Realized net income of farm operators is figured by subtracting total farm production expenses from gross farm income which includes the value of crops and livestock sold, placed under Government loan or used in the farm home during the year, plus Govern-

ment payments to farmers and the rental value of the farm home.

Last year, gross farm income dropped a tenth below the 1948 record, largely because of declines in prices farmers received for their products. Since farm production expenses came down only 3 percent, nearly all of the drop in gross income showed up as a reduction in net income.

The income of the farm population from all sources—realized net income of farm operators, farm wages to laborers, net change in farm inventories and the income from nonfarm sources—was 15 percent lower in 1949 than in 1948. At the same time, total income of the nonfarm population

Farm Income

| Item | 1935-39 average | 1947 | 1948 | 1949 ¹ |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | <i>Million dollars</i> | <i>Million dollars</i> | <i>Million dollars</i> | <i>Million dollars</i> |
| Cash receipts from farm marketings..... | 7, 982 | 30, 014 | 30, 545 | 27, 518 |
| Government payments to farmers..... | 503 | 314 | 257 | 186 |
| Home consumption of farm products..... | 1, 327 | 3, 095 | 3, 155 | 2, 760 |
| Rental value of farm dwellings..... | 622 | 1, 220 | 1, 342 | 1, 368 |
| Gross farm income..... | 10, 434 | 34, 643 | 35, 299 | 31, 832 |
| Farm production expenses..... | -5, 624 | -16, 849 | -18, 556 | -18, 020 |
| Farm operators' realized net income.... | 4, 810 | 17, 794 | 16, 743 | 13, 812 |
| Farm wages to laborers on farms..... | 661 | 1, 989 | 2, 147 | 2, 016 |
| Realized net income of persons on farms from farming..... | 5, 471 | 19, 783 | 18, 890 | 15, 828 |
| Income of farm population from nonfarm sources..... | 2, 090 | 4, 900 | 5, 300 | 5, 300 |
| Net change in farm inventories ² | 6 | -1, 059 | 639 | 54 |
| Income of farm population from all sources..... | 7, 567 | 23, 624 | 24, 829 | 21, 182 |
| Income of nonfarm population ³ | 58, 752 | 165, 652 | 185, 510 | 187, 036 |
| Total national income ³ | 66, 319 | 189, 276 | 210, 339 | 208, 218 |
| | <i>Dollars</i> | <i>Dollars</i> | <i>Dollars</i> | <i>Dollars</i> |
| Income per person on farms from all sources.... | 243 | 857 | 905 | 763 |
| Income per person not on farms..... | 602 | 1, 439 | 1, 572 | 1, 555 |

¹ Government payments are included; data for 1949 are preliminary.

² Farm inventory changes are added here for comparison with nonfarm income because the latter includes changes in nonfarm business inventories. The net change in farm inventories shown in this table for 1949 differs from the net change, 1949-50, in valuation of crops and livestock shown in the "Balance Sheet of Agriculture," in that it takes the changes in *physical quantities* of crops and livestock held for sale on farms and values these changes at year-end prices, whereas the "balance sheet" table reflects changes in *total value* of all farmer-owned inventories of crops and livestock.

³ The series on income of the nonfarm population and total national income are those previously developed for use in comparison with income of the farm population. They are based on Department of Commerce estimates of nonagricultural income, with appropriate adjustments to improve their comparability with farm income.

showed a 1-percent gain. Per person, the net income of farm people averaged \$763 in 1949, 16 percent lower than a year earlier. The average for the nonfarm population was \$1,555 per person, only 1 percent less than in 1948.

The 1949 drop of almost 4.4 billion dollars in the assets of agriculture from the peak of 127 billion dollars in 1948 was largely due to price declines. The drop was accounted for entirely by the lower values of real estate, livestock, and crops stored on and off farms and to a decline in deposits and currency. These declines were partly offset by increased assets in machinery and motor vehicles and minor gains in household

equipment, United States savings bonds and investments in cooperatives.

The liability picture for the Nation's farmers shows that farm indebtedness increased about three-fourths billion dollars over 1948. The largest increase occurred in the farm mortgage debt which continued up for the fourth straight year and in 1949 was 16 percent larger than the 1946 low point. Non-real estate indebtedness also continued its postwar increase last year but there are indications that it is slowing down.

Ernest W. Grove

Norman J. Wall

Bureau of Agricultural Economics

Balance Sheet of Agriculture

| Item | Jan. 1, 1940 (balance sheet) | Jan. 1, 1949 (balance sheet) | Jan. 1, 1950 (prelimi- nary es- timates) ¹ | Net change 1949-50 |
|--|---------------------------------------|---------------------------------------|---|----------------------------|
| ASSETS | | | | |
| Physical assets: | <i>Million dollars</i> | <i>Million dollars</i> | <i>Million dollars</i> | <i>Million dollars</i> |
| Real estate..... | 33,642 | 65,168 | 61,200 | -3,968 |
| Non-real-estate: | | | | |
| Livestock..... | 5,133 | ² 14,657 | ² 13,211 | ² -1,446 |
| Machinery and motor vehicles..... | ² 3,118 | 11,114 | 13,390 | 2,276 |
| Crops, stored on and off farms ³ | 2,645 | 8,475 | 7,700 | -775 |
| Household equipment ⁴ | 4,275 | 6,000 | 6,200 | 200 |
| Financial assets: | | | | |
| Deposits and currency..... | 3,900 | 14,800 | 14,000 | -800 |
| United States savings bonds..... | 249 | 5,024 | 5,100 | 76 |
| Investment in cooperatives..... | 826 | 2,036 | 2,100 | 64 |
| Total..... | ² 53,788 | ² 127,274 | ² 122,901 | ² -4,373 |
| CLAIMS | | | | |
| Liabilities: | | | | |
| Real estate mortgages..... | 6,586 | 5,108 | 5,450 | 342 |
| Non-real-estate debt: | | | | |
| To principal institutions: | | | | |
| Excluding loans held or guaranteed by Commodity Credit Corporation..... | ² 1,504 | ² 2,714 | 2,900 | 186 |
| Loans held or guaranteed by Commodity Credit Corporation..... | 445 | 1,152 | 1,200 | 48 |
| To others ⁵ | ² 1,500 | 2,200 | 2,400 | 200 |
| Total..... | ² 10,035 | ² 11,174 | 11,950 | 776 |
| Proprietors' equities..... | ² 43,753 | ² 116,100 | ² 110,951 | ² -5,149 |
| Total..... | ² 53,788 | ² 127,274 | ² 122,901 | ² -4,373 |

¹ The margin of error of the estimates varies with the items.

² Revised.

³ Includes all crops held on farms and crops held in bonded warehouses as security for Commodity Credit Corporation loans.

⁴ Estimated valuation for 1940 plus purchases minus depreciation.

⁵ Tentative. Includes individuals, merchants, dealers, and other miscellaneous lenders.

Livestock Numbers End 5-Year Decline During 1949

LIVESTOCK and poultry numbers turned upward during 1949 after five successive years of decline. The increase amounted to 2 percent, placing the total only slightly below the prewar levels of 1940 and 1941 but still 16 percent below the peak on January 1, 1944. These trends were revealed in the annual BAE inventory.

For cattle, hogs, and turkeys the increase continued the upward trend which started in 1948. During 1949, chickens and milk cows joined in the upward movement, the rate of decline for sheep was slowed, but horse and mule numbers continued to decline sharply.

The January 1 inventory showed a 7-percent increase in the number of poultry. Meat animals—cattle, hogs, and sheep—were up 3 percent. Milk animals—milk cows and heifers and heifer calves for milk—were up 1 percent. Workstock was down 9 percent.

The total number of livestock and poultry is 5 percent above the 1935-39 average. Meat animals are 17 percent above the prewar period, poultry 18 percent and milk stock 2 percent. Meat animal and poultry inventories are about as large as they were on January 1, 1942.

Cattle Cycle Turns Up

One of the notable developments during 1949 was the 3-percent increase in cattle including the first increase in the number of milk cows in 5 years. For cattle, the upturn in 1949 marks a definite upswing in the cattle cycle. Barring drought or severe economic disturbances, the number of cattle is likely to increase for several years. If the 1949 rate of increase continues, cattle numbers will be back up to the 1945 level by 1952 or 1953, and probably will set a new record.

Since cattle and calves are being withheld to build inventories, beef and veal production in 1950 may be no larger than in 1949. From then on, however, larger cattle production will

be reflected in an increasing output of beef and veal.

Numbers of all classes of cattle except steers increased last year. Especially significant was a gain of 5 percent in beef cows which boosted the January 1 inventory to a new high. A record slaughter of steers during 1949 reduced the steer population, and the smallest slaughter of cows in several years paved the way for an upturn in cow numbers.

Increases in cattle numbers were fairly general except in some of the Northern Plain States where dry weather forced close selling, and in New Mexico, Oregon, and California. The largest percentage increases for cattle inventories took place in the South Atlantic and South Central States.

Resources Available

Land diverted from crops to grass and pasture lands under acreage controls will encourage further the trend toward increased cattle production. Even without this diversion, however, grass and pasture resources formerly devoted to horses, mules, and sheep could be used to support more cattle.

The number of sheep continued to decline in 1949, but the rate was slower than in any year since the downswing started in 1942. The number of stock sheep is 45 percent below the 1942 peak and the lowest on record.

The decline in stock sheep may be coming to a close. The number of ewe lambs held for replacements showed an increase and now represents 20 percent of the number of ewes 1 year old and over. This may be enough to check the decline in stock sheep if the proportion of ewes slaughtered stays at a low level. Even though sheep numbers stabilize or increase, it will be several years before any appreciable increase will occur in the production of lamb and mutton. As inventories move upward, lambs will be held rather than slaughtered, and culling will be light. Shorn wool production is also expected

to remain at a record low level for the next few years.

The higher inventory of hogs reflected increased hog production during 1949. The inventory was less in relation to the pig crop than usually expected because of the earlier and faster movement to market of the 1949 spring pig crop. As a result, the number of hogs over 6 months old, excluding sows, was 3 percent less than last year. With 6 percent more hogs on farms January 1 than a year earlier and prospects for an increase of 7 percent in the 1950 spring crop, hog marketings in 1950 should exceed those of 1949. Any material slowing up of the rate of marketing during 1950 may hold down the increase in marketings compared with last year. Such action, of course, would likely result in heavier weights, and a larger output of pork.

The number of chickens on farms, excluding commercial broilers, was up 7 percent. Pullet numbers gained 12 percent as farmers raised 17 percent more chickens. Hens dropped 2 percent.

Record Broiler Output

Poultry and egg production was on the increase throughout most of 1949. This followed the favorable chicken and egg prices in relation to feed prices of the last half of 1948. The baby chick output in 1949 was 22 percent above 1948, and the third largest on record. Commercial broiler production was the largest on record.

With poultry and egg prices moving downward in the latter part of 1949 and prices of poultry rations showing little change, less favorable feeding ratios began to discourage poultry and egg production. On February 1, farmers indicated their intentions to purchase 12 percent fewer baby chicks in 1950 than in 1949. Turkey producers planned to raise only 1 percent more turkeys in 1950, although the number of breeder hens on January 1 was 9 percent larger than a year earlier. Turkey production was on a much larger scale in 1949 than in 1948. The number raised was 29 percent larger following the record prices for the 1948 turkey crop and the favorable feeding ratio. For turkeys, also, the emphasis was on earlier marketings, with a larger proportion of the poultz purchased earlier than in 1948.

Feeding Rates Heavy

With most species of livestock and poultry, the emphasis of producers in 1949 was on heavy rates of feeding and earlier marketings. The laying rate for hens and pullets was a record for the year. Milk production per cow was also a new high. The turnover of cattle in feed lots was, by comparison with other years, very rapid. Hogs came to market at lighter weights, but the proportion of the spring pig in the summer and early fall slaughter was one of the highest ever observed.

Arnold V. Nordquist
Bureau of Agricultural Economics

Livestock Inventory, January 1

| Class of livestock | Number on farms Jan. 1 | | | | Farm value per head Jan. 1 | | | |
|------------------------------|------------------------|---------------|---------------|---------------|----------------------------|---------|---------|---------|
| | Average, 1939-48 | 1948 | 1949 | 1950 | Average, 1939-48 | 1948 | 1949 | 1950 |
| | Thousand head | Thousand head | Thousand head | Thousand head | Dollars | Dollars | Dollars | Dollars |
| Cattle..... | 77, 600 | 78, 126 | 78, 298 | 80, 277 | 67. 10 | 116. 00 | 135. 00 | 123. 00 |
| Cows 2 years + for milk..... | 26, 175 | 25, 039 | 24, 416 | 24, 625 | 97. 40 | 164. 00 | 193. 00 | 177. 00 |
| Hogs..... | 61, 634 | 55, 028 | 57, 128 | 60, 424 | 20. 60 | 42. 80 | 38. 20 | 27. 10 |
| All sheep..... | 48, 112 | 34, 827 | 31, 654 | 30, 797 | | | | |
| Stock sheep..... | 41, 829 | 29, 976 | 27, 651 | 27, 064 | 9. 11 | 15. 00 | 17. 00 | 17. 80 |
| Horses..... | 9, 054 | 6, 589 | 5, 898 | 5, 310 | 69. 00 | 55. 50 | 52. 30 | 45. 70 |
| Mules..... | 3, 450 | 2, 541 | 2, 348 | 2, 153 | 126. 00 | 133. 00 | 117. 00 | 99. 40 |
| Chickens..... | 486, 359 | 461, 550 | 448, 676 | 481, 190 | 1. 04 | 1. 44 | 1. 66 | 1. 36 |
| Turkeys..... | 7, 056 | 4, 450 | 5, 540 | 6, 120 | 4. 47 | 6. 87 | 8. 70 | 6. 24 |

Record Decline Ends As

Nation's Milk Herd Increases

LAST YEAR brought the end of the longest decline in the number of milk cows on record as the Nation's farmers began to increase their herds in response to larger feed supplies and anticipation of less favorable returns from alternative enterprises.

On January 1, 24,625,000 head of cows and heifers 2 years old and over were being kept for milk on farms, about 1 percent more than a year earlier. The number previously had declined for 5 years to a low early last spring. At that time, the number was about 12 percent below the peak of mid-1944 and the smallest since 1931.

The increase in milk cows in 1949 resulted from less rigid culling of herds than in other recent years. A large number of young replacement milk stock on farms also supported the increase. For every 100 milk cows on hand at the beginning of 1949, 22.5 were heifers 1 to 2 years of age. Although many heifers also were added to herds in recent years, a high rate of culling prevented an increase in the number of milk cows.

Several factors influenced farmers to hold back their milk cows this year. Abundant supplies of feed grains on farms together with sharply lower prices turned farmers to livestock as a means of marketing their grain. Prospects of crop acreage restrictions and more emphasis on hay and pasture also encouraged keeping more cows. In the South, continued improvement of pastures and good local markets for milk have helped increase interest in dairying. With lower income in many areas, farmers also are turning to the milk or cream check as a steady source of ready cash. In areas where milk is sold mainly for fluid use, prices have dropped less sharply than in manufacturing areas and returns have been favorable enough to support an increase in milking herds for the second straight year.

Sharpest upturns in milk cow numbers during 1949 occurred in the southern dairy States east of Texas, where

gains of 3 to 4 percent were general. In most of these States, the increases were the first since late in the war. Numbers also rose 2 percent or more in Pennsylvania, New Jersey, New York, Connecticut, Missouri, Utah, Arizona, and California. In New Jersey, Pennsylvania, Maryland, Virginia, Florida, and California, numbers are a record.

In the Great Plains, North Dakota, Kansas, Oklahoma, and Texas recorded their first increases in 5 or 6 years. Most of the other States in this area showed less decline than in other recent years. When 1949 began, numbers of milk cows in the Plains States were the lowest in from 20 to 50 years. The downward trend in the major Corn Belt States persisted through 1949 with declines ranging from 1 to 3 percent in Indiana, Illinois, Minnesota, Iowa, and Nebraska. Numbers in the Corn Belt States, except Missouri, were the smallest on January 1 than in 20 to 25 years.

Since 1867, the number of milk cows has about tripled. Except for rare downturns of short duration, the trend has been steadily upward. Prior to the recent 5-year drop, the longest continuous decline was the 4-year decrease following the 1934 drought.

With interest in dairying increasing, long-time uptrend apparently is being resumed. Future changes in the number of milk cows will depend on the market for dairy products. Over the next 25 years, there is a good chance that population will grow at the rate of a million a year. At high levels of consumer income, this could mean a potential market for 15 to 20 percent more dairy products. In the more immediate future, the trend will depend considerably on the market for butter. Butter consumption per person is now only about three-fifths as high as pre-war. Every change of 1 pound in butter consumed per person would mean about 3 billion pounds of milk, or at current levels of production per cow, about half a million cows.

John L. Wilson
Bureau of Agricultural Economics

THE LAW AND

Your Father-Son Agreement

MANY FATHER-SON farming agreements evolve through several stages before the son finally takes over the farm. At first the son plays a minor role, often beginning with a 4-H or FFA project. As he grows older, the son takes more and more of the responsibility of running the farm until eventually he is on an equal basis with his father. Later on as dad nears retirement age, the son gradually acquires complete charge.

The details of most agreements are threshed out across the kitchen table. More than anything else, these agreements are likely to be an "understanding" between two persons who have confidence in each other. Because of legal implications, though, it would be a good idea for those working out father-son agreements to do some thinking about possible liabilities to third persons.

Most legal complications are likely to occur during the middle stage of the agreement when father and son are operating the farm on about an equal basis. During the middle stage, father and son may take an equal part in management and operation, share about equally in profits, expenses, and losses, and have a joint bank account. They may have about the same capital investment in the business and treat much of the personal property as joint property.

Similar to Partnership

These are all earmarks of a partnership. If dad and son became involved in legal difficulties, the court is likely to label their agreement a partnership even though they have taken steps to avoid such an arrangement.

There is some possibility that the agreement might be classified as that of landlord and tenant. However, the father usually lives on the farm and takes a more active part in the man-

agement and operation than a landlord normally does. Aside from partnership or landlord-tenant, no other commonly accepted legal category seems to fit. The arrangement could not be called a corporation unless father and son actually have gone through the process of incorporating. Since they are on an equal basis, the relation of employer-employee does not apply.

Because of the likelihood that the courts would call a father-son agreement in the middle stage a partnership, dad and son might well give some consideration to partnership liabilities. The liabilities of partnership fall into two main groups:

Each Agent of Other

1. By and large, each partner is the general agent of the other for the purpose of carrying on partnership business. As such, he may bind his partner without his consent by incurring debts, entering into contracts, and making sales of crops, livestock, and other property in the usual course of business.

In actual practice, however, third persons are likely to make inquiries before extending a large amount of credit to either partner. In such cases, dad may be asked to sign any note given by his son.

2. Each partner is liable to third persons for any torts committed by the other in the usual course of business. Torts are legal wrongdoings, other than crimes, which do not involve breach of contract. Generally, they result either in financial loss to a third person or in injury to his body or property. Negligence which results in injury to a third person is one example.

The above types of liability are of an unlimited, personal nature. This means not only that the partners' capital investment in the partnership may

be held liable, but also their personal assets, including separate property.

Certain precautions can be taken to limit or protect against the liabilities of partnership. The partners may agree to limit the authority of one partner to bind the other. For example, the parties may provide that sales or purchases of more than a certain amount may be made only by mutual consent, or that one partner may not bind the other in incurring debts or entering into contracts without his written consent.

These limits will protect the partners only against third persons who have been informed about them. Therefore, father and son should inform those with whom they do business of any limits they have agreed on.

Limited Partnerships

Laws in many States permit the creation of a limited or special partnership. A "limited" partner's liability is confined to his capital investment in the partnership plus his share of the profits. This would not be of much advantage to most fathers and sons, though. The liability of at least one general partner, active in the business, must remain unlimited. Furthermore, if a "limited" partner takes any active part in the business he may become liable as a "general" partner.

Most tort liability can be insured against by the partners. Each partner may take out farmers' comprehensive personal liability insurance as protection against liability for torts committed by the other or by partnership employees which result in bodily injury or property damage to third persons. Such policies usually do not cover the operation of a motor vehicle. However, auto and truck, as well as tractor and implement liability insurance, is also available.

Even by taking such precautions, however, partners may not be able to completely protect themselves against all of the liabilities of partnership. For this reason, father and son may want to avoid creating a partnership during the middle stage of their agreement. This may be difficult to do, even

though they include in their written agreement, if they have one, an outright denial of a partnership coupled with some limit on their authority to bind each other.

Taking definite steps to create a landlord-tenant relationship probably offers the best chance of avoiding a partnership. The liabilities of landlord and tenant are not as far reaching as those of partners. Neither can be bound by the other without his consent, nor is either landlord or tenant liable for torts of the other committed in the course of business. But either may make the other his agent for certain purposes. He is then bound by the acts of and is liable for any torts committed by the other within the scope of the agency.

To create a landlord-tenant arrangement, father and son should draw up a written agreement labeled a lease and worded in a way common to leases. It should provide that dad, as landlord, shall receive his share of profits as rent. It might include an outright denial that the agreement is a partnership and limit the authority of each party to bind the other. To have much chance of avoiding a partnership, father and son probably will have to give up some arrangements they may consider desirable. They may not find it practical to give up certain arrangements such as equal rights in management. They might, however, avoid a joint bank account, joint ownership of property and certain other arrangements which typify a partnership.

Not a Guarantee

If they wish to avoid a partnership it is important that both parties conduct their business in such a way that it will not lead other persons to believe that a partnership exists. For example, they should not call themselves partners, use a firm name like Jones & Son on their stationery, in their advertising, in signing checks or display it on the farm. Such actions may be used by the courts as reasons for making them subject to partnership liabilities.

Precautions of this kind help guard against the possibility that the agreement will be held a partnership if

father and son get involved in a legal dispute with other persons. But they do not guarantee a partnership will be avoided. The courts have not agreed on any single test of a partnership. In deciding a particular case, the court may consider the agreement as a whole, the conduct of the parties and other circumstances. Because of differences in court decisions, however, it may be easier to avoid a partnership in one State than in another.

The decision of father and son as to whether or not they should avoid a partnership is best determined in light of their particular circumstances. Partnership liabilities may not concern some fathers and sons. (Partnership also offers certain advantages, many of which, however, may also be available

under a landlord-tenant set-up.) In any event, there is enough legal uncertainty concerning father-son agreements in the middle stage, that a father and son who attempt to avoid a partnership might do well not to put all their eggs in one basket. They may doubly protect themselves against partnership liabilities by also taking those precautions that partners may take. In setting up their agreement, father and son will find it to their advantage to get the advice of a good lawyer.

When business is being done within the family, or with other people, father and son can save themselves trouble by doing it with their legal eyes open.

Harold H. Ellis
Bureau of Agricultural Economics

Customers Like Prepackaged Meats

MOST FOOD buyers like the idea of selecting precut and prewrapped meats from a self-service counter. They like the idea, according to a United States Department of Agriculture survey, because it does away with waiting lines at the meat counter, gives larger selection of meats, and makes it easier to buy the kind and quantity of meat to suit the family budget. However, some food shoppers still prefer to talk with the butcher about the meat selection and then watch him cut it. Shoppers seldom realize that each minute spent discussing a cut of meat takes up about 3 cents of the butcher's time—time that could be used more economically cutting meat.

A year ago only about 400 stores in the country featured self-service meat departments. Now, more than 1,200 retail stores offer prepackaged meats. In the Department's survey, almost a hundred stores were studied in 80 cities in all parts of the country. Besides a general enthusiasm for prepackaged meat among shoppers, the survey revealed that under self-service, sales of beef steaks and roasts, poultry, and specialty items increased, while sales of smoked ham, seafoods, and pork roasts decreased compared to conven-

tional sales methods. All but 2 of the 97 stores reported greater meat sales than before the system was tried. However, this increase does not mean necessarily that self-service meat merchandising results in increased meat consumption. More likely the sales increased because food buyers were attracted to the new method.

The cost of cutting and wrapping and preparing the meat for the self-service counter averaged 4.5 cents a pound, or 5.2 cents a package of meat. Cost per package was higher in the stores handling smaller amounts of the prepackaged meats. In stores selling a relatively large amount, the unskilled labor costs increased faster than skilled labor costs, indicating a more efficient use of meat cutter's time by relieving him of wrapping and sealing. In nearly all the stores surveyed, meat was prepackaged at the store in transparent film. However, no wrapping film used was ideal, and all store operators indicated a need for improvements in wrapping materials.

Though customers generally preferred the self-service, almost all of the 97 stores continued to offer special service for food buyers desiring meat cuts not on display.

Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

| Commodity | 5-year average | | Feb. 15, 1949 | Jan. 15, 1950 | Feb. 15, 1950 | Effective parity price Feb. 15, 1950 ² | |
|----------------------------------|---|--------------------------------------|------------------|------------------|------------------|---|---------|
| | Base period price 1910-14 ¹ | January 1935- December 1939 | | | | | |
| Basic commodities: | | | | | | | |
| Cotton (pound)..... | cents. | \$ 12.4 | 10.34 | \$ 29.15 | 26.47 | 27.50 | 29.88 |
| Wheat (bushel)..... | dollars | \$.884 | .837 | 1.94 | 1.92 | 1.93 | 2.13 |
| Rice (bushel)..... | do. | .891 | .742 | \$ 2.24 | 1.93 | 1.99 | 2.21 |
| Corn (bushel)..... | do. | \$.642 | .691 | 1.12 | 1.15 | 1.16 | 1.55 |
| Peanuts (pound)..... | cents. | \$ 4.8 | 3.55 | 10.3 | 10.5 | 10.6 | 11.6 |
| Designated nonbasic commodities: | | | | | | | |
| Potatoes (bushel)..... | dollars | \$ 1.12 | .717 | \$ 1.71 | 1.36 | 1.33 | \$ 1.67 |
| Butterfat (pound)..... | cents. | 27.7 | 29.1 | 64.1 | 62.5 | 63.1 | 68.7 |
| Milk, wholesale (100 lb.)..... | dollars | 1.73 | 1.81 | 4.30 | 4.06 | \$ 3.95 | 4.29 |
| Wool (pound)..... | cents. | 20.1 | 23.8 | 52.6 | 47.2 | 48.7 | 49.8 |
| Other nonbasic commodities: | | | | | | | |
| Barley (bushel)..... | dollars | \$.619 | .533 | 1.04 | 1.10 | 1.09 | \$ 1.42 |
| Cottonseed (ton)..... | do. | 26.30 | 27.52 | 53.40 | 43.70 | 43.60 | 65.20 |
| Flaxseed (bushel)..... | do. | 1.71 | 1.69 | \$ 5.54 | 3.64 | 3.59 | 4.24 |
| Oats (bushel)..... | do. | \$.359 | .340 | .689 | .705 | .705 | \$.914 |
| Rye (bushel)..... | do. | \$.720 | .554 | 1.23 | 1.25 | 1.19 | \$ 1.65 |
| Sorghum, grain (100 lb.)..... | do. | \$ 1.21 | 1.17 | 2.07 | 1.83 | 1.88 | \$ 2.77 |
| Soybeans (bushel)..... | do. | 1.00 | .954 | 2.05 | 2.11 | 2.12 | 2.48 |
| Sweet potatoes (bushel)..... | do. | .921 | .807 | 2.44 | 2.15 | 2.21 | 2.28 |
| Beef cattle (100 lb.)..... | do. | 6.78 | 6.56 | 18.70 | 19.40 | 20.40 | 16.80 |
| Chickens (pound)..... | cents. | 11.4 | 14.9 | 29.5 | 20.3 | 21.8 | 23.3 |
| Eggs (dozen)..... | do. | \$ 21.5 | 21.7 | 41.8 | 31.3 | 29.6 | \$ 49.2 |
| Hogs (100 lb.)..... | dollars | 7.52 | 8.33 | 19.60 | 15.10 | 16.60 | 18.60 |
| Lambs (100 lb.)..... | do. | 7.48 | 7.79 | 21.50 | 21.60 | 22.80 | 18.60 |
| Veal calves (100 lb.)..... | do. | 7.62 | 7.80 | 24.30 | 23.30 | 24.0 | 18.90 |
| Oranges, on tree (box)..... | do. | \$ 2.29 | 1.11 | 1.10 | 1.81 | 2.54 | \$ 3.42 |
| Apples (bushel)..... | do. | 1.04 | .90 | \$ 2.96 | 1.66 | 1.78 | 2.58 |
| Hay, baled (ton)..... | do. | 8.71 | 11.20 | 25.50 | 21.60 | 21.50 | 21.60 |

¹ Adjusted base period prices 1910-14, based on 120-month average January 1940-December 1949 unless otherwise noted.

² Parity prices are computed under the provisions of title III, subtitle A, section 301 (a) of the Agricultural Adjustment Act of 1938 as amended by the Agricultural Acts of 1948 and 1949.

³ 60-month average, August 1909-July 1914. ⁴ Revised. ⁵ 10-season average 1919-28.

⁶ Transitional parity, 95 percent of parity price computed under formula in use prior to Jan. 1, 1950.

⁷ Preliminary.

Outlook Highlights

(Continued from page 5)

Livestock Markets Steady

Many livestock producers kept an apprehensive eye on the markets during February but the month passed with no hint of the sharp price breaks that occurred in both February 1948 and 1949. Prices held generally steady and quotations for all meat animals except hogs were equal to or above those of last year and compared favorably with most of the postwar period. Hogs rose seasonally during the month but continued below a year earlier.

Hog prices are expected to begin their spring decline soon. The drop may be larger than usual since marketings will be above those of last spring. Prices of the better grades of cattle are likely to decline seasonally until early summer, in contrast to the steady advance of last year.

Tobacco Prices a Little Lower

Sales of 1949 crop, now about completed, brought farmers slightly lower prices than the 1948 crop. Flue-cured prices averaged 47.2 cents per pound, 2.4 cents less than for 1948 production. Burley prices, at an average of nearly 45 cents per pound, were down a cent from those of the previous season. Both flue-cured and burley averaged above support levels.

Larger Wool Imports Likely

Consumption of apparel wool in the United States last year probably was 343 million pounds, the lowest since 1940. The decline reflects a falling off in retail sales, a reduction of inventories in manufacturing and distribution channels and an increase in use of rayon in summer suitings.

(Continued on p. 16)

Economic Trends Affecting Agriculture

| Year and month | Industrial production (1935-39=100) ¹ | Total income of industrial workers (1935-39=100) ² | Average earnings of factory workers per worker (1910-14=100) | Wholesale prices of all commodities (1910-14=100) ³ | Index numbers of prices paid by farmers (1910-14=100) ⁴ | | | Index numbers of prices received by farmers (1910-14=100) ⁴ | | | |
|----------------------|--|---|--|--|--|--|--|--|------------------|--------------|---------------|
| | | | | | Commodities | Wage rates for hired farm labor ⁵ | Commodities, interest, taxes, and wage rates | Livestock and products | | | |
| | | | | | | | | Dairy products | Poultry and eggs | Meat animals | All livestock |
| 1910-14 average..... | 58 | 50 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1915-19 average..... | 72 | 90 | 152 | 158 | 149 | 147 | 148 | 147 | 153 | 162 | 157 |
| 1920-24 average..... | 75 | 122 | 221 | 160 | 159 | 181 | 168 | 159 | 163 | 121 | 140 |
| 1925-29 average..... | 98 | 129 | 232 | 143 | 151 | 184 | 161 | 161 | 155 | 145 | 152 |
| 1930-34 average..... | 74 | 78 | 179 | 107 | 117 | 121 | 124 | 105 | 94 | 83 | 91 |
| 1935-39 average..... | 100 | 100 | 199 | 118 | 124 | 121 | 125 | 119 | 108 | 117 | 115 |
| 1940-44 average..... | 192 | 236 | 315 | 139 | 148 | 211 | 152 | 169 | 145 | 166 | 162 |
| 1945 average..... | 203 | 291 | 389 | 154 | 180 | 359 | 189 | 230 | 194 | 207 | 210 |
| 1946 average..... | 170 | 276 | 382 | 177 | 197 | 387 | 207 | 267 | 197 | 248 | 241 |
| 1947 average..... | 187 | 328 | 436 | 222 | 231 | 419 | 240 | 272 | 219 | 329 | 287 |
| 1948 average..... | 192 | 354 | 472 | 241 | 250 | 442 | 259 | 300 | 235 | 361 | 314 |
| 1949 average..... | 176 | ⁷ 325 | ⁷ 479 | 226 | 241 | ⁶ 429 | 250 | 251 | 219 | 311 | 272 |
| 1949 | | | | | | | | | | | |
| February..... | 189 | 340 | 481 | 231 | 242 | ----- | 252 | 265 | 216 | 309 | 275 |
| March..... | 184 | 334 | 477 | 231 | 245 | ----- | 255 | 254 | 215 | 327 | 281 |
| April..... | 179 | 327 | 469 | 229 | 244 | 430 | 254 | 241 | 220 | 324 | 276 |
| May..... | 174 | 322 | 472 | 227 | 244 | ----- | 253 | 235 | 215 | 319 | 271 |
| June..... | 169 | 320 | 475 | 226 | 242 | ----- | 252 | 233 | 212 | 323 | 271 |
| July..... | 161 | 315 | 476 | 224 | 240 | 429 | 250 | 237 | 213 | 316 | 269 |
| August..... | 170 | 323 | 477 | 223 | 238 | ----- | 249 | 244 | 225 | 310 | 271 |
| September..... | 174 | 331 | 485 | 224 | 238 | ----- | 248 | 251 | 236 | 319 | 279 |
| October..... | 166 | ⁶ 307 | 482 | 222 | 237 | 414 | 246 | 258 | 230 | 301 | 271 |
| November..... | 173 | 313 | 475 | 221 | 236 | ----- | 245 | 261 | 216 | 286 | 262 |
| December..... | ⁶ 179 | 325 | ⁷ 490 | 221 | 237 | ----- | 246 | 261 | 194 | 280 | 255 |
| 1950 | | | | | | | | | | | |
| January..... | | | | 221 | 238 | 429 | 249 | 254 | 158 | 286 | 249 |
| February..... | | | | | 237 | ----- | 248 | 250 | 155 | 306 | 257 |

| Year and month | Index numbers of prices received by farmers (1910-14=100) ⁴ | | | | | | | | Parity ratio ^{4, 8} | |
|----------------------|--|---------------------|----------|--------|-------------------|-------|------------------|--------------------------|------------------------------|-----------|
| | Crops | | | | | | | All crops and live-stock | | |
| | Food grains | Feed grains and hay | To-bacco | Cotton | Oil-bearing crops | Fruit | Truck crops | | | All crops |
| 1910-14 average..... | 100 | 100 | 100 | 100 | 100 | 100 | ----- | 100 | 100 | 100 |
| 1915-19 average..... | 193 | 161 | 183 | 175 | 201 | 126 | ----- | 171 | 164 | 111 |
| 1920-24 average..... | 147 | 125 | 189 | 197 | 155 | 157 | ⁹ 152 | 162 | 150 | 89 |
| 1925-29 average..... | 141 | 118 | 169 | 150 | 135 | 146 | 145 | 143 | 148 | 92 |
| 1930-34 average..... | 70 | 76 | 117 | 77 | 78 | 98 | 104 | 84 | 88 | 71 |
| 1935-49 average..... | 94 | 95 | 172 | 87 | 113 | 95 | 95 | 99 | 107 | 86 |
| 1940-44 average..... | 123 | 119 | 241 | 138 | 170 | 150 | 164 | 145 | 154 | 101 |
| 1945 average..... | 172 | 161 | 360 | 178 | 228 | 244 | 207 | 203 | 206 | 109 |
| 1946 average..... | 201 | 196 | 376 | 237 | 260 | 250 | 182 | 227 | 234 | 113 |
| 1947 average..... | 270 | 249 | 374 | 272 | 363 | 212 | 226 | 263 | 275 | 115 |
| 1948 average..... | 250 | 250 | 380 | 270 | 351 | 174 | 214 | 252 | 285 | 110 |
| 1949 average..... | 219 | 170 | 398 | 245 | 242 | 199 | 201 | 223 | 249 | 100 |
| 1949 | | | | | | | | | | |
| February..... | 223 | 171 | 404 | 245 | 262 | 198 | 267 | 234 | 265 | 104 |
| March..... | 226 | 176 | 403 | 242 | 261 | 207 | 235 | 232 | 255 | 101 |
| April..... | 229 | 177 | 403 | 251 | 256 | 225 | 196 | 234 | 258 | 101 |
| May..... | 229 | 174 | 403 | 252 | 245 | 239 | 194 | 235 | 256 | 101 |
| June..... | 213 | 168 | 404 | 253 | 232 | 235 | 155 | 225 | 253 | 100 |
| July..... | 209 | 171 | 404 | 253 | 219 | 217 | 168 | 221 | 249 | 99 |
| August..... | 205 | 165 | 400 | 246 | 241 | 181 | 170 | 214 | 246 | 98 |
| September..... | 211 | 166 | 393 | 250 | 227 | 160 | 188 | 212 | 244 | 98 |
| October..... | 213 | 161 | 396 | 241 | 221 | 180 | 174 | 210 | 247 | 100 |
| November..... | 215 | 157 | 369 | 233 | 220 | 172 | 213 | 210 | 242 | 98 |
| December..... | 219 | 168 | 394 | 223 | 225 | 174 | 196 | 210 | 237 | 97 |
| 1950 | | | | | | | | | 233 | 95 |
| January..... | 218 | 170 | 382 | 222 | 228 | 185 | 261 | 219 | ----- | ----- |
| February..... | 219 | 171 | 389 | 231 | 228 | 186 | 203 | 215 | 237 | 96 |

¹ Federal Reserve Board: represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

² Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised January 1950. ³ Bureau of Labor Statistics.

⁴ Revised January 1950. ⁵ Farm wage rates simple averages of quarterly data, seasonally adjusted.

⁶ Revised. ⁷ Preliminary.

⁸ Ratio of index of prices received to index of prices paid, interest, taxes, and wage rates. This parity ratio will not necessarily be identical to a weighted average percent of parity for all farm products, largely because parity prices for some products are on a transitional basis. ⁹ 1924 only.

Outlook Highlights

(Continued from page 14)

Despite the decline, consumption exceeded production plus imports, and stocks of apparel wool dropped a fourth between January 1, 1948, and the beginning of 1949. Domestic output of shorn wool was 216 million pounds, 18 million pounds below 1948 and the lowest since 1879. Pulled wool production in 1949 was substantially less than the 47 million pounds in 1943. Next year, output of shorn wool is expected to be near 1949 level while pulled wool output is likely to be 1 million pounds less.

Consumption of apparel wool in 1950 is expected to fall within the 330-370 million pounds range. Since domestic production and stocks are at low levels, imports must increase considerably if this output is to be reached.

Fats and Oils Up Slightly

Increased demand in the United States market and strong export demand for lard, edible vegetable oils, and inedible tallow and grease has pushed the average of fats and oils prices up slightly since the low point of November. No major rise is likely during the rest of the season, however, because production of fats and oils will continue at record or near-record levels.

Increased soybean oil production is in prospect for next year since farmers are apt to put part of the acreage taken out of corn and cotton into soybeans. No acreage allotments will be announced for soybeans.

Cotton Prices Up

Spot prices for cotton in mid-February were at the highest level of the season which began August 1, 1949. Both domestic mill consumption and exports have been running above a year ago.

Considerably less cotton has gone under CCC loan so far this season than in the same period of 1948-49.

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